

MINUTES
REGULAR WORKSESSION
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA
YUMA CITY HALL
ONE CITY PLAZA, YUMA, ARIZONA
November 17, 2009
5:00 p.m.

CALL TO ORDER

Mayor Nelson called the City Council meeting to order.

Councilmembers Present: Shoop, Mendoza, Beeson, McClendon, Nicholls, Johnson and Mayor Nelson
Councilmembers Absent: none
Staffmembers Present: City Administrator, Mark Watson
Principal Planner, Jennifer Albers
Finance Director, Pat Wicks
Various department heads or their representatives
City Clerk, Brigitta M. Kuiper

Mayor Nelson moved directly to item II on the agenda.

II. SUMMARY OF CURRENT EVENTS

Watson briefed City Council on an upcoming administrative action that provides for temporary signage for businesses within a construction zone. Until the ordinance receives City Council approval, he is allowing placement of temporary signage up to 100 square feet for business that are in a construction zone.

III. REGULAR CITY COUNCIL MEETING AGENDA OF NOVEMBER 18, 2009

McClendon requested item B6: Intergovernmental Agreement - Yuma County Improvement District No. 07-09 for the B & C Colonia, be pulled tomorrow night for separate consideration.

Resolution R2009-88 Intergovernmental Agreement: Arizona Department of Transportation – Area Service Highway

Watson announced that Resolution R2009-88 identifies the City of Yuma's selection for an alternate route for State Route 195.

Nicholls stated that he would need to recuse himself from action on this resolution.

Watson clarified with Pete Erlenbach, Economic Development Program Manager, that there were no changes in the 9 ½ E and 32nd Street annexations being presented for City Council's approval.

Shoop requested clarification on the voting approvals necessary for the two Public Hearings on the agenda; one being a major amendment to the General Plan. **Albers:** Major Amendments require a super majority vote; 5 of 7 Councilmembers would need to vote in favor of the resolution for it to pass.

IV. RDS (REVENUE DISCOVERY SYSTEMS)

Watson stated that the State has cut back to 750 auditors and reviewers. As such, the remaining auditors/reviewers will deal with national accounts not peripheral accounts. Therefore, the City needs to look at sales tax collection programs, such as the one being brought forward.

Tom Belshe, League of Cities & Towns (League), informed City Council that the League became involved as 76 of the 90 cities/towns belong to the collection program through the Department of Revenue (DOR). The DOR collects the tax on behalf of the city/town and returns it incrementally. There has been a good relationship established with DOR; however, the States revenue issues have caused them to cut staff back drastically.

Two and half years ago, the League was introduced to Revenue Discovery Systems (RDS). RDS offers a solution where they collect the sales tax on behalf of the cities/towns. The money is then remitted to the cities/towns directly, without going through DOR. The League saw this as a possible solution/good alternative and did some research. The League supports RDS because they have proven to be trust worthy and a good company in other states. This is a good solution for communities that would like to do in-house tax collections.

Rob Heimbuch, Regional Account Manager for RDS, presented the following:

Who is RDS?

- RDS is a government services company that provides administrative, management and back-office revenue enhancement support services to state and local government in the areas of Tax Administration, Revenue Discovery/Recovery, Compliance Audit Examination and Delinquent Tax Receivables Collection.

Why does the League support RDS?

- Since massive tax system overhaul, the League continues to field member concerns re:
 - General lack of communication & responsiveness
 - Erratic distribution of revenues; (15 days – 6 wks)
 - Limited reporting capability with inadequate detail
 - Bullhead City implementation confirmed condition of data
- Approached by RDS in April of 2007
 - Offered proven centralized collection alternative to Arizona DOR
 - Contact peers in League offices in other states
- Appreciated RDS's plan to approach DOR at the outset
 - Introduce business model
 - Encourage open, communicative relationship
 - [open dialog paying dividends in Bullhead City conversion]

Core competencies / 4 lines of business

- Tax Administration
 - Sales/use, tobacco, alcohol, gasoline, and other business taxes
 - Occupational/business tax and licenses
 - Insurance Premium Taxes (IPT)

- Compliance Audit Examination
 - Taxpayer auditing (e.g. S/U, Hotel/Motel, Occ. License Tax)
 - Unclaimed property; (11-state contracts)
- Revenue Discovery/Recovery
 - Discovery of “unknown” underpayments/non-payments & recovery of those outstanding receivables
- Aged-Receivables Management
 - Collection of “known” delinquent business tax accounts

Background

- 1980s; sold software to modernize tax administration process
- 1990s; transitioned into full service tax administration provider
- 2004; expanded under the name RDS (Revenue Discovery Systems)
- 2005; acquired by Norfolk, VA-based, Portfolio Recovery Associates (NASDAQ: PRAA)
 - Focus: purchase, management and collection of delinquent consumer receivables (\$35B in face value)
 - Financially secure
 - 2100 employees nationwide; provides RDS IT, HR & legal resources
- 2007; made first foray into Arizona market
- 2008; announced MuniServices acquisition
 - Conduct discovery work for 9 of the 10 largest jurisdictions in California
- Mission Continues to be: Raise Revenue, Not Taxes! SM

Government Contract Experience - Administration

- 255+ monthly sales/use tax processing, collection & funds disbursement contracts
- 120 annual business license/occupation taxes processing, collection & funds disbursement contracts
- 161 insurance premium tax (IPT) administration contracts
- 175+ sales/use tax mis-allocation clients in California & Texas (including 9 of the 10 largest jurisdictions in CA)
- Occupational tax collection & funds disbursement contract for Fulton County – (pop: 960,000)

Why RDS?

- 28+ years tax administration & “government-only” experience
- Currently manage 780+ service contracts for back-office tax processing, compliance, and delinquent management for 500+ government clients
- Process \$740M in annual business tax revenue representing 2.4M (\$1M online) transactions and 405K unique tax returns
- 2005; acquired by Norfolk, VA-based, Portfolio Recovery Associates (NASDAQ: PRAA)
- Undertake annual SAS 70, Type II operations, process & funds disbursement audit; governed by Sarbanes-Oxley Act of 2002
- Developed robust, proprietary, multi-jurisdictional, multi-state, multi-tax administration and discovery processing system
- Partnered with Arizona League of Cities & Towns

Benefits of Processing & Compliance Partnership

- Greater control over revenues without major infrastructure investment
- Access to detailed, online reporting portal enabling more timely decision-making
- Won't compromise current staff resources, but instead foster productive involvement as a part of the solution
- Provides turn-key tax administration solution allowing for single contact management and oversight
- No need to purchase or maintain tax administration software
- No need to invest in technology for records retention or disaster recovery
- No need for basic, paper, printing and postage costs
- Reduce liability or potential for theft associated with self-collection
- Eliminates issues involving employee training and employee turnover
- Provide taxpayers with online filing/payment platform
- RDS experience, passion and commitment to customer service!

Why should Yuma Self-Collect?

- Inadequate communication protocols with DOR
- No direct control of sales tax revenues
- No access to usable data
- Delay in distribution of revenues
- Non-existent reporting – (limited access)
 - Impacts cash flow, forecasting and economic development activities
- Bullhead City implementation has uncovered likely need for major database clean-up to include:
 - Identification of under-reporters and non-reporters
 - Duplicate accounts in system
 - Businesses with incorrect industry codes and rate assignments

What has Bullhead City said the RDS partnership has done for them?

- More taxpayers are obtaining business licenses!
- Experiencing improved cooperation and support by taxpayers!
- Enhanced collection and analytical ability!
- Immediate transfer of funds!
- Detailed online reporting and related information available!
- Special reports available upon request!
- Database clean-up improving taxpayer compliance!
- More control, more confidence!
- Simplified online registration, file and pay process for taxpayers!
- Finally, collaboration continues to develop in true spirit of partnership -- which is exactly what they had hoped for!

Benefits of Self-Administration to Business Community

- Tax payer Support
 - Toll free number 866-940-7660 (7:30 to 4:30 MST Monday through Friday)
 - Email support : azsupport@revds.com
 - Web address: www.revds.com

- Tax filing
 - Customized forms mailed every quarter
 - Online filing and pay available (on jurisdictions go live date)
 - o Filing history available at any time
 - Form available on line at www.revds.com
 - RDS account review to determine if business qualifies for quarterly filing

Introduction package to businesses

- During the month [prior to go live date] businesses would receive the following Documents from RDS
 - Important Tax Notice
 - Advisory/Newsletter
 - Three Customized Forms and Instructions
 - Pre-printed Mailing Labels

Discussion

Nicholls confirmed that businesses were expected to pay no extra fees to submit electronically.

Heimbuch: correct. RDS firmly believes in confidentiality and security of documentation. Heimbuch noted several security implementations: all employees receive a background check prior to employment; facility cannot be accessed without the appropriate key-card, facility is covered by cameras, cubicles have short partition walls so all employees are visible to others and to the cameras, a 'clean desk policy'. Employees are not allowed trashcans at their stations and all documentation is shredded prior to leaving the facility. RDS servers are also updated with the latest security technology for protection against 'hackers'. **Nicholls**: how are late fees/penalties handled? **Heimbuch**: RDS has no authority to levy any late fee/penalty; we comply with the local City ordinance and the Model City Tax Code.

Heimbuch: 1.2% of the gross monthly collections will be billed for the first year. In a 5-year contract, year 2-5 will be 1.3%. RDS distributes funds on a daily basis. Anything processed before 7:00 pm (Central Standard Time) will be distributed to the client the next business day. RDS does not hold any funds. **Mayor Nelson** asked Pat Wicks what the City is paying the State for these services. **Wicks**: Currently the City does not make any direct payment to the Department of Revenue (DOR); compensation is derived from DOR holding the funds for 30 days. Today's interest rates are low; however, in years past it was a better deal for the State. Currently sales tax collections and economy information is 60-days old before it is received; no longer having the 30-day lag time will be a benefit for the City and will assist with managing the projections. **McClendon** asked if businesses would be inconvenienced by another form. **Wicks**: the businesses will see a new process, but will only fill out a State return and a City return. **Mayor**: pointed out the businesses will also have the advantage of paying on-line, which is not a current service. **Wicks**: RDS does not change the City's authority to raise or lower the tax rate. The State Model City Code remains the authority of control.

Ken Rosevear, Executive Director of the Chamber of Commerce, clarified that RDS has no ability to do any review/audit or perusal of the business records. **Heimbuch**: correct, this is part of the privacy contracts signed by our employees. RDS does not share that information with anyone; we act as an arm of the City. **Rosevear**: Do the rules of this program fall under the Tax Payer's bill of rights for the State of Arizona? **Heimbuch**: Yes. The City has authorization to do an audit under Appendix 4 of the Model City Tax Code. If it is a multi-jurisdictional audit, there is additional correspondence that involves the state. RDS is an extension of the City, the reports that are furnished through RDS are clear,

RDS does not recommend audits – nor perform them. **Rosevear**: stated that by using RDS services, the City is sending 1.2% [and 1.3% in successive years] of local tax dollars to a company in Alabama.

I. WELCOME OF MAYOR LIC. RODOLFO VALDEZ GUTIERREZ

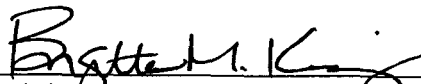
Mayor Nelson returned to item I on the agenda and recognized Mayor Lic. Rodolfo Valdez Gutierrez of Mexicali. With the assistance of an interpreter, Sister City relationships were renewed between the City of Yuma and Mexicali through a proclamation and an exchange of flags. **Mayor Nelson** proclaimed a City Hall conference room (Room #136) as the Mexicali Room in recognition of this friendship.

V. CITY OF YUMA BOARDS, COMMISSIONS AND COMMITTEES - None

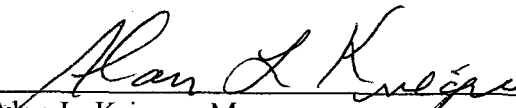
VI. ADDITIONAL ITEMS FOR POSSIBLE DISCUSSION - None

VII. ADJOURNMENT/EXECUTIVE SESSION

Motion (Beeson/Mendoza): To adjourn the meeting to Executive Session. Voice vote: **adopted** 7-0. The meeting adjourned at 6:11 p.m. Executive Session was held.


Brigitte M. Kuiper, City Clerk

APPROVED:


Alan L. Krieger, Mayor

